Customs Duty and Market Access Project of Milk SA

(PRJ-0398-2025)

South African Milk Processors' Organisation (SAMPRO)

Quarter 1 2025 (January 2025 till March 2025)

Project goals

Goal 1 - Bilateral and multilateral trade agreements

Achievements

The Agricultural Trade Forum (ATF) of the Department of Agriculture (DOA) is the platform where all agricultural trade negotiations are discussed and protocols developed. During the last two years there were mainly four Multilateral agreements that were of importance to the dairy industry, namely:

i. Southern African Customs Union Agreement (SACU);

ii. The African Continental Free Trade Area (AfCFTA) which includes 55 African Countries;

iii. Economic Partnership Agreement with the EU (EPA) and United Kingdom (UK); and

iv. The China agreement.

Southern African Customs Union Agreement (SACU)

The Customs Agreement remains the oldest functioning Customs Union. It was originally established by the British colonial power in the **1880s.**

Further political and economic developments warranted a complete renegotiation of the Agreement in the coming years. The latest Agreement was amended in 2013, to provide for the institutionalisation of the SACU.

Like other customs unions, a key feature of **SACU is the application of a single tariff regime – the Common External Tariff (CET).** This means the Member States form a single customs territory that provides for a free movement of goods where tariffs and other barriers are eliminated on all trade between them. The CET applies to goods imported from all territories that are not members of SACU.

Article 31 of the Agreement states that **no Member State shall negotiate and enter into new Preferential Trade Agreements with third parties or amend existing Agreements without the consent of the other Member States**. The SACU Member States have established a Common Negotiation Mechanism through which a unified approach to negotiations with third parties is pursued.

However, some aspects of the new agreement such as **Infant Industry Protection** and **quantitative control** (closing the border for the importation of certain products) have been outstanding for quite some time and will again be in the spotlight and be placed on the agenda for discussion.

In the first quarter of 2025, the SACU countries drafted new "**GUIDELINES ON THE IMPLEMENTATION OF THE INFANT INDUSTRY PROTECTION (IIP)**"

The objectives of these Guidelines shall be to facilitate the implementation of Article 26 of the Agreement and to ensure uniformity to the extent possible so that the process is transparent, accountable, fair, predictable and consistent with the provisions of the Agreement.

These Guidelines are aimed at enhancing the processes of economic development, diversification, industrialisation and competitiveness of the economies of BELN as recognised in Article 2 of the Agreement.

Principles

An Infant Industry Protection measure shall be applied only as a temporary measure in terms of Article 26 of the Agreement. The processes shall be initiated and conducted in accordance with the provisions of the Guidelines.

An Infant Industry shall be classified as such where an industry has been established in the territory of the BELN for a period of not more than eight (8) years in line with Article 26 of Agreement.

A BeLN State desirous of implementing Infant Industry Protection under these Guidelines must ensure that the application for Infant Industry Protection is in line with its government development policies.

An application submitted on behalf of an Industry which is not yet established shall be supported by an in-depth business plan detailing the projected cash flows as well as negative effects of imports on the competitiveness of the proposed Infant Industry.

Where protection is granted before the industry is established, implementation of the protection shall commence once the industry is established taking into consideration the gradual progression of its capacity to supply the domestic market.

Council shall have the overall responsibility to ensure that nothing contained in these Guidelines results in a proliferation of Infant Industry Protection in the Common Customs Area, at the expense of the free movement of goods enunciated by the Agreement.

The African Continental Free Trade Area (AfCFTA)

The AfCFTA is the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight (8) Regional Economic Communities (RECs). The overall mandate of the AfCFTA is to create a single continental market.

The AfCFTA entered into force on 30 May 2019, after 24 Member States deposited their Instruments of Ratification. Although the AfCFTA agreement had already entered into force in 2019, none of the member countries could trade under the more favourable conditions of the Continental Free Trade Agreement. Members will only be allowed to start gaining from the lower tariffs once it reaches the stage when 90% of the tariff headings have been included in the list to be scaled down.

The Tariff Offer of 7111 tariff lines, which represents 90 percent of the SACU Tariff Book, was submitted to the AfCTFA Secretariat on 13 February 2023 for verification. The Republic of Botswana has also deposited their instruments for ratification of the AfCTFA Agreement. All SACU member States have now ratified the Agreement.

On 24 January 2024, the South African Government published the rules of origin as described in Government Gazette no. 50045 dated 24 January 2024 (R 4286) for the implementation of the AfCTFA.

As of August 2024, 48 of the 54 signatories (88.9% of State Parties) have deposited their instruments for ratification with the Africa Union Chairperson. The 54 states are expected to submit their complete offers by October 2025 when all key instruments have been concluded for trade to commence.

The Secretariat of the AfCFTA compiled an e-tariff book for all member states of the

AfCFTA and can be viewed at: AfCFTA e-Tariff Book (au-afcfta.org)

Finalisation of the Economic Partnership Agreement with the EU (EPA) and United Kingdom (UK) on Market Access Quotas 2025

Certain products originating from the European Union (EU) are eligible for a preferential tariff-rate quota (TRQ). These TRQ's allow a specific mass of imports of a particular product that can enter a market at zero import duties. When this quota is fully allocated, the normal tariff will apply to further imports. The same also applies to the SADC -UK EPA.

These quotas for all agricultural products for the period January to December 2025, are with National Treasury and not gazetted yet. The industry is reminded of the fact that import duties will be refunded retrospectively on the basis of first-come first-served.

Trade agreements with the People's Republic of China

On 2 September 2024, the Department of Agriculture of the Republic of South Africa and the General Administration of the Customs of the People's Republic of China on Inspection, Quarantine and Sanitary requirements (GACC) signed a protocol for the exportation of dairy products.

The signing of this protocol is good news. Such a protocol typically contains detailed information about requirements regarding matters such as food safety, product composition and which products can be exported in terms of the agreement. The inclusion of compartmentalisation will ensure that those export operations in provinces not affected by FMD will continue to be able to export their produce to China

The details of the requirements is not known yet and it means that South Africa must establish systems to meet the requirements set by China. Establishing such systems can take time. The Regulation and Dairy Standard Project of Milk SA has already done work in this regard. The Veterinary Procedure Notice (20) wase compiled, including the health certificate.

China is requesting a list of the South African establishments that are in compliance with the protocol. Only South African dairy processing facilities that are ZA approved for exports to China can submit applications for registration in China through the "Registration and Management Systems for Overseas Imported Food Manufacturers" (CIFER system).

Market access for South African dairy products to the People's Republic of China became promising when a Memorandum of Understanding between the latter country and South Africa was signed in September 2024 and for that reason Milk SA has called for a work group on the exports of South African dairy products to the People's Republic of China.

The objectives of the China export work group are to be a facility for:

The coordination of activities of the various role-players in respect of export registration and certification, including chemical residues; and

Coordinated communication regarding the above.

No Non-achievements / underperformance has been reported

Goal 2 - Trade protection and tariff dispensation

Achievements

TRADE PROTECTION AND TARIFF DISPENSATION / AGRICULTURAL SAFEGUARD DUTIES

The EPA Trade Agreement between South Africa and the European Union makes provision under Article 35 of the agreement, that should a surge of imports of a particular agricultural product do occur within a specific calendar year, then an agricultural safeguard duty can be applied.

The agreed reference quantities for full cream UHT milk classified under tariff subheading 0401.20.07 were Gazetted on 2 August 2024, under Notice 51003. **It should be noted that the reference quantities as published in the Gazette differ from the reference quantities as negotiated by the Departments of Agriculture and DTIC with their counterparts in the EU.** The different levels are listed in Table 2.

Table 2: Agricultural safeguard trigger levels

for full cream UHT milk (0401.20.07)

Year	**Trigger levels**	
	Itac[1)]	**DOA[2)]**
2016	2 373	6 353
2017	2 613	6 986
2018	2 874	7 701
2019	3 161	8 457
2020	3 478	9 315
2021	3 525	10 234
2022	4 204	11 256
2023	4 628	12 379
2024	5 089	13 625
2025	5 595	14 973
2026	6 152	16 485
2027	6 771	18 119

Source: 1) Government Gazette Number 51003 dated 2 August 2024
2) Department of Agriculture

Paragraph 2.1 of the Gazette indicating that the scope of these guidelines covers the process for imposition of an agricultural safeguard measure in terms of Article 35 of the EU-SADC EPA, provides as follows:

Quote start

"1. Notwithstanding Article 34 of this Agreement, a safeguard measure in the form of an import duty may be applied if, during any given twelve-month period, the volume of imports into SACU of an agricultural product listed in Annex IV originating in the EU exceeds the reference quantity for the product therein indicated.

2. **A duty which shall not exceed 25 per cent of the current WTO bound tariff or 25 percentage points, whichever is higher, may be imposed to the agricultural products referred to in paragraph 1. Such duty shall not exceed the prevailing MFN applied rate**.

3. Safeguard measures referred to in this article shall be maintained in place for the remainder of the calendar year or five (5) months, whichever is the longer."

Quote stop

The guidelines as gazetted also stated in paragraph 4.2 that:

Quote start

"4.2 When the import volumes as per the collated data for the SACU market indicate that the trigger volume for a specific product as contained in the attached Annexure has been reached, the SACU Secretariat shall immediately inform all SACU Member States and ITAC of the following:

(a) that the trigger volume for a specific product has been reached;
(b**) the relevant rate of safeguard duty to be applied, which shall be the maximum possible rate**; and
(c) the duration of the measure as provided for in Article 35 of the EU-SADC EPA.

4.4 **The Minister of Trade, Industry and Competition of South Africa will request the Minister of Finance of South Africa, to make the necessary amendments to the SACU Tariff Book as set out in the Ministerial Minute. The amendment to the relevant schedule to the Customs and Excise Act**

will be published by the South African Revenue Service. "

Quote stop

Currently, South Africa will unfortunately not be able to make use of a safeguard duty because our normal rate of duty on imports of full cream UHT milk from all over the world, is at a zero rate of duty. However, a letter was drafted and forwarded to the Department of Agriculture and ITAC requesting them, when will the Minister of DTIC request the Minister of Finance to amend the SACU Tariff Book as set out in the Ministerial Minute to apply the maximum possible rate as set out in the Government Gazette no 51003, dated 2 August 2024.

No Non-achievements / underperformance has been reported

Goal 3 - Import and export monitoring

Achievements

The Customs Duty and Market Access Project submitted the following monthly import and export tables and quarterly report to Milk SA:

Monthly January 2025

The mass of imports of UHT milk with a fat content, not exceeding 1 percent (tariff subheading 0401.10.07) and UHT milk with a fat content exceeding 1 percent but not exceeding 6 percent (tariff subheading 0401.20.07) decreased over the last few years up to 2024. See Table 3.

Table 3: The mass of imports of UHT milk with a fat content, not exceeding 1 percent (tariff subheading 0401.10.07) and that of UHT milk with a fat content exceeding 1 percent but not exceeding 6 percent (tariff subheading 0401.20.07)

TONS

UHT Milk	2019	2020	2021	2022	2023	2024	2025 Jan
0401.10.07	20	43	8 724	356	39	1 .3	0
0401.20.07	17 992	5 392	13 767	3 257	5 518	0.8	1.0
Total mass	18 012	5 435	22 491	3 613	5 557	2.1	1.0

Source: Table prepared by SAMPRO bases on information obtained from SARS

The years indicated in red, are the years when the imported mass of imports were more than the agreed trigger levels under the Agricultural safeguard levels.

From January to December 2022, 3 613 tons of UHT were imported and in 2023, a mass of 5 557 tons of UHT milk was imported. For the period January to December 2024, only a mass of 2 095 kilograms of UHT was imported at very high prices.

The estimated size of the South African demand for unflavoured and unsweetened milk in 2022, 2023 and 2024, was respectively 1 435.7, 1 489.0 and 1 508.2 million kilograms. UHT milk, classifiable under tariff subheadings **0401.10.07** and **0401.20.07,** represented 0.25 percent of the total demand for unflavoured and unsweetened milk in 2022, 0.37 percent in 2023 and 0.0001 percent in 2024.

The detailed quarterly reports on the import and export of dairy products can be obtained from Milk SA.

No Non-achievements / underperformance has been reported

Goal 4 - Participation in the Animal Health Forum i.r.o. trade related issues

Achievements

The NAHF ceased operation and was deregistered in April 2025.

Foot and Mouth Disease outbreak
South Africa had a Foot and Mouth Disease (FMD) free zone without vaccination prior to January 2019. Since January 2019, several outbreak events were reported in South Africa that compromised the status of the FMD free zone without vaccination.
Currently, there are two provinces with ongoing outbreaks, while all other outbreaks in the previous FMD free zone have been resolved and closed with the WOAH or are in the process of being resolved.
The details of the different strains, according to the DOA report, are as follows:

SAT3 FMD multi-province outbreak event, which involved Northwest, Free State, Gauteng and Mpumalanga Provinces.

SAT2 FMD outbreak event in KwaZulu Natal Province, with limited spread to the Free State Province.

SAT3 FMD outbreak event in the Eastern Cape Province.

SAT2 FMD outbreak event in the Eastern Cape Province.

Table 4, provides a summary of the open and closed outbreaks per province, as well as the date of the last reported outbreak. There are currently 188 open outbreaks reported to the World Origination for Animal Health (WOAH). On the 1 March 2025, a new case of FMD was reported in the Bergville area.

Table 4: Summary of open and closed outbreaks per province since 2021

Province	Number of open outbreaks	Number of closed outbreaks	Total number of outbreaks	Date on which all outbreaks were resolved	Start date of last reported outbreak
Eastern Cape	39	1	40	-	01 Sep 2024
KwaZulu Natal	149	18	167	-	01 Mar 2025
Total	**188**	**19**	**207**		
Summary of resolved outbreaks per province since 2021					
Free State	0	41	41	18 Oct 2024	07 Feb 2024
Gauteng	0	7	7	13 Mar 2024	30 Aug 2022
Limpopo	0	8	8	29 Aug 2023	25 Apr 2022
Mpumalanga	0	21	21	26 Jun 2023	2 Aug 2022
Northwest	0	18	18	5 Mar 2024	22 Nov 2022

Source: DOA, Directorate Animal Health, 31 March 2025

The Directorate of Animal Health reported that negotiations with eSwatini have been finalised and that dairy products that originate from FMD free areas in KZN will be able to export dairy products to eSwatini if all requirements are at here too.

The Zimbabwean Veterinary Services Directorate stated in a letter on 7 January 2025, that the import ban of cloven-hoofed animals and their products from the following provinces of South Africa has been lifted until further notice:

Gauteng;
Northwest;
Northern Cape; and
Western Cape. Other provinces not mentioned in the notification, remain banned until further notice.

All the media briefs and press releases were forwarded to Milk SA and future publications will also be forwarded to Milk SA.

No Non-achievements / underperformance has been reported

Income and expenditure statement

Income and expenditure statement	Customs Duty 1Qrt 2025.pdf CORFIN151 Std Qtr (1) Fin report - Project Advances.xlsx
Unnecessary spending during period	No

Popular Report

Customs 1 st Qtr Pop Report 2025 (F).docx

Additional documentation

No file has been uploaded

Statement

Levy funds were applied only for the purposes stated in the contract	Yes
Levy funds were applied in an appropriate and accountable manner	Yes
Sufficient management and internal control systems were in place to adequately control the project and accurately account for the project expenditure	Yes
The information provided in the report is correct	Yes